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## CURRENT SUPPORT BRIEF

A NEW PHASE IN CZECHOSLOVAK-POLISH ECONOMIC COOPERATION

OFFICE OF RESEARCH AND REPORTS

CENTRAL INTELLIGENCE AGENCY

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A NEW PHASE IN CZECHOSLOVAK-POLISH ECONOMIC COOPERATION

The January announcement at the Sixth Session of the Polish-Czechoslovak Committee for Economic Cooperation\* of a \$125 million economic development credit to Poland, the largest ever granted by Czechoslovakia, is an indication of a new phase in Czechoslovak-Polish relations. Together with other recent cooperation arrangements it portends more rapid progress toward specialization and economic integration by the two countries in the next decade and demonstrates the new vitality with which the CEMA-sponsored integration program is being pursued. According to Czechoslovak Deputy Premier Jankovcova, the new credit agreement is only one of many which are to be signed between the two countries in the near future. 1/

The purpose of the credit is to enable Poland to import machinery and equipment to exploit its rich copper deposits in the Glogow region, but Czechoslovakia also will provide equipment for a nitrogen fertilizer plant, a factory for the production of cutisin (a dermatological powder), metallurgical products, and various raw materials. Repayment, at 2 percent interest and scheduled for the years 1969-78, is to take the form of Polish deliveries of electrolytic copper and copper products, including semi-finished materials. Polish deliveries of copper and copper products are to be continued for at least an additional five years after 1978 in exchange for Czechoslovak exports of metallurgical products. 2/

The agreement also provides for increasing cooperation in the field of chemical products, Polish delivery to Czechoslovakia of two large foundries and Czechoslovak shipments of heavy metal-working machines to Poland. These deliveries are in addition to the commodity exchange envisaged in the 1961-65 trade agreement of 11 February 1960. 4/

A foundation was laid for increased Czechoslovak-Polish economic cooperation in 1957 when Czechoslovakia extended credits valued at \$87.5 million\*\* to Poland, 60 percent of which was to be used for the exploitation of sulfur deposits and coal reserves in Poland. Acceleration of the mining and production of sulfur was of importance to Poland where an inefficient process of producing sulfuric acid from iron pyrites was in use. Completion of the sulfur development project was reported in December 1960. 6/

\* Recently renamed the Polish-Czechoslovak Committee for Mutual Economic, Scientific, and Technological Cooperation. 3/

\*\* \$12.5 million for deliveries of machinery and equipment for exploitation of Polish sulfur deposits and \$12.5 million for consumer goods, to be drawn 1957-60; \$62.5 million for delivery of coal mining equipment and consumer goods, to be drawn in 1958-64 (65% in machinery, 35% in consumer goods). 5/

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Under other arrangements cooperation between the two countries is to be expanded in the fields of machinery construction, the development of electric power, and agriculture. Agreements concluded in January and July 1960 provided for cooperation in machine building and electronics, and another signed on 3 November 1960 provided for increased mutual development and exchange of electric power. Cooperation is also being extended between the state farms and agricultural research institutes of the two countries. 7/

Expanded Czechoslovak-Polish cooperation furthers the long-range objectives of the CEMA program for increasing the supply of raw materials in the Bloc. A major problem of the Czechoslovak economy has been the procurement of sufficient raw materials to operate its industry at high levels of output. The long-term commitments for the supply of raw materials by Poland to Czechoslovakia permit planning to be undertaken for further development of Czechoslovak industry and justifies financial participation in Polish projects.

Conclusion of the recent credit agreement may have grown out of Gomulka's complaint at the Polish party plenum on 21 June 1960 about CEMA's lack of success in coordinating Bloc investments. 8/ Polish and Czechoslovak delegations met in Warsaw in September 1960 and established a single organ for economic, scientific and technical cooperation between the two countries. 9/ It was also agreed to establish working groups of outstanding experts from both countries who would jointly solve problems of economic importance.

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